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July 15, 2004

By Facsimile

Ms. Jill I. Sugarman
Senior Campaign Finance Analyst
Reports Analysis Division
Federal Elections Commission
999 E Street, NW
Washington, DC 20463

Re: Friends of Lois Capps Committee

Dear Ms. Sugarman:

Our office represents the Friends of Lois Capps Committee ("Committee"). Today the Committee has submitted to the Federal Election Commission amended reports for calendar years 2001, 2002, 2003 and first quarter 2004. The amendments are prompted by the Committee's discovery of financial irregularities during those reporting periods.

In late April of 2004, the Committee noticed irregularities in its financial records and became concerned that the Committee's Finance Director may have misappropriated campaign funds. When confronted with the irregularities, this individual admitted to misusing campaign funds for personal use and falsifying records and reports in order to conceal her activities. The Finance Director has been terminated.

The Committee immediately began a thorough audit of its financial records. Upon completion of the audit the Committee determined the amount of funds misappropriated to be approximately \$200,000. The audit also identified incorrect and missing information in financial disclosure reports completed by the Finance Director and filed with the FEC dating back to 2001. The amended reports filed by the Committee today correct these omissions and discrepancies.

To date, the former Finance Director has been cooperating with the Committee and its attorneys. The Committee has received a repayment from her totaling \$50,000 which is itemized in the Committee's July 2004 Quarterly FEC Report. The Committee has also secured an agreement requiring her to repay the remainder of the missing money, plus the expenses incurred in the course of identifying and correcting these transactions.

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